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C O N F I D E N T I A L SECTION 01 OF 02 RIGA 000290

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TAGS: [PGOV](#) [PINR](#) [ECON](#) [PREL](#) [BO](#) [LG](#)
SUBJECT: FORMER PM GODMANIS "NOT HAPPY" WITH NEW
GOVERNMENT, BUT WILL SUPPORT

Classified By: Charge d'affaires a.i. Bruce Rogers. Reason: 1.4 (d)

¶1. (C/NF) Summary: Former PM Ivars Godmanis is concerned that the Dombrovskis government is taking too long to make hard choices on the budget and is wasting time fighting with the central bank. This leads to a reduction in money available for commercial lending to energize business and hurts investor confidence. Despite his frustrations, he says he will continue to support the Dombrovskis government from the sidelines, saying that Latvia needs action not political games. He feared, though, that some parties (in particular People's Party) might try such moves, especially if they do poorly in upcoming local elections. Godmanis was not sure that his fellow party member Slesers would end up as mayor of Riga, but said that their party was prepared to work with Harmony Center to form a coalition in Riga. He also wanted to reassure us that there was "nothing funny" about his attempts to improve ties with Belarus when he was PM. End summary.

¶2. (C/NF) A/DCM met May 22 with former PM Ivars Godmanis in his parliamentary office. Godmanis was typically late and carrying a large stack of documents. As usual, he immediately launched into his main topic, saying that he had just spoken with finance minister Repse and "I am not happy" with what he viewed as a slow pace of the process for amending the budget. This process delayed receipt of disbursements from the IMF and EU, requiring the government to borrow on the local market. This crowded out opportunities for local businesses to borrow locally, which was necessary to keep up economic activity. He also said that the government and the central bank were increasingly sniping at each other about how much to cut to budget and how fast, which was scaring off investors. (Comment: As PM, Godmanis had many of the same complaints about central bank head Rimsevics as his successor as PM does. End comment.)

¶3. (C/NF) Despite his concerns, Godmanis said that it was essential that the government have stability to continue its work and was at pains to say that his party would not do anything to break apart the current coalition. But, he warned, other parties may not feel the same. Following local government elections, if parties feel they lost votes because of making tough economic decisions, they might try to bring down the government. He seemed to be referring primarily to the People's Party, which he thought might not even get 5% of the vote in Riga (which would keep them out of the Riga City Council). Stating that "they have twice betrayed us" in bringing down his own and the Andris Berzins governments, Godmanis said that People's Party could not be trusted and added that if they left the Dombrovskis government, his First Party/Latvia's Way would join the coalition to keep the government afloat. Godmanis, who is at the top of his party's list for European Parliament, also said that if there were a crisis and early elections were to be called, he would immediately resign from the EP and return to Latvia to run again.

¶4. (C/NF) Speaking further about upcoming local elections, he

said that if the mayor of Riga was directly elected, he was convinced that his fellow party co-chair, former transport minister Slesers, would win. But since it is a party list election, he was not so sure. He acknowledged that other parties were not enthusiastic to serve in a Slesers-led coalition in Riga. He said that they were prepared to work with "any serious party" to form a workable majority in the city council. Speaking about the ethnic-Russian based parties, he said that PCTVL was simply too radical to work with. Godmanis said that he could see working with Harmony Center in Riga, although he had a hard time envisioning its leader, Nils Ushakovs, who he believes lacks the necessary experience, as mayor.

15. (C/NF) Finally, Godmanis asked if the MFA had kept us apprised of his engagement with Belarus during his time as PM. Stressing that there was "nothing funny" going on, he explained that Belarus continued to manufacture while Latvia did not have much industrial production. Latvia could benefit, therefore, by serving as a transit route for Belarusian goods. Godmanis claimed that in his meetings, including with Lukashenka, he stressed the need for economic and political reforms. Interestingly, Godmanis did not talk about using Belarus as a transit point for Latvia to buy electricity from Ukarine, the main topic we had been told was the purpose of his active engagement with Minsk.

16. (C/NF) Comment: Godmanis remains unchanged and unbowed since losing the PM job. He was just as engaging as ever and still with an encyclopedic knowledge of the budget and Latvia's financial situation. He continues to believe strongly that he has an important role to play in helping

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Latvia, but he is willing to do it from the sidelines if needed. The one contrast from previous meetings was that he allowed his interlocutors to speak more, although only in the context of asking very detailed questions about US policy on health care, tax reform, and the auto industry. It is hard to imagine him being very happy in the European Parliament.
ROGERS